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Gasoline at $2 per Gallon?

PUTTING POLITICS FIRST: Clinton/Gore Foreign Policy Hits American Pocketbook

American consumers already have been hit hard by steeply rising gasoline prices, with the per-gallon cost expected to reach $1.80 by the beginning of summer and $2.00 or more by fall. Besides the price Americans pay at the gas pump, rising energy costs will force price increases in food and an array of consumer products. Will the same Clinton/Gore Administration that has rushed to take credit for a booming economy (supported in part by record low energy costs) be willing to shoulder the blame for a possible inflation or even an economic downturn?

There is no doubt that Clinton/Gore policies — excessive regulation of the energy industry, environmental extremism, overly restrictive limits on offshore drilling, a gas tax hike (imposed after defeat of a Clinton/Gore BTU tax) and, perhaps most of all, the 1995 Clinton veto of legislation to open the Arctic National Wildlife Refuge (ANWR) to exploration — have limited domestic oil production that might have helped offset rising prices caused by contraction of foreign sources. [See RPC's "Clinton/Gore to Blame for High Energy Prices," 3/9/00.] With U.S. dependence on foreign oil now approaching 60 percent of consumption, the result, as Energy Committee Chairman Murkowski has noted, is an America **"held hostage to the national interests of oil producing states."** Our energy policy, RPC Chairman Craig has observed, is to **"give the secretary of energy a tin cup and you ask him to go beg at the oil wells of a foreign nation. . . . We have reduced our secretary of energy to a beggar status."**

Horizon-to-Horizon Policy Mismanagement

It would be hard to single out just one instance of the foreign policy mismanagement that has led to the growing crisis. The blunders are numerous, involving at least a dozen countries. But in each case, one Clinton/Gore trademark stands out: *putting American national interests and substantive policy behind short-term political gain* — i.e., putting politics first. Among the highlights are:

Ignoring the Plight of Producer Countries Back When Prices Were *Low*: Current American political leverage in encouraging greater foreign production today was weakened by what some producing countries felt was a callous disregard for their economic hardship when oil prices were at record lows less than two years ago.

- Referring to Energy Secretary Bill Richardson's recent trip to South America, the Middle East, and Norway in a minimally successful effort to urge more foreign production, Senator Murkowski observed: "**He went down to Mexico and Venezuela. He said you ought to increase production. And they responded by saying, 'Well, Mr. Secretary, where was the U.S. when our economy was in the tank? We were selling you oil at $11, $12, we needed help, you didn't come even [to] address it.'**"

- The reason for the Clinton/Gore Administration's dismissive attitude is as obvious as it was cynical: record low energy prices fed a record U.S. economy and a record stock market — so why risk a good thing politically by "thinkin' about tomorrow"? While some OPEC producers (notably Kuwait and Saudi Arabia) could afford to restrict production to keep prices from sliding even further, some countries — notably Indonesia, and non-OPEC Mexico and Russia — suffered serious economic and political dislocation that in the long term may have grave consequences for U.S. interests.

Failed "Dual Containment" Policy Against Iraq and Iran: No responsible U.S. observer questions the seriousness of the problems posed by the tyrannical Saddam Hussein in Iraq and the theocratic regime of the mullahs in Iran. What is noteworthy is the extent to which the unimaginative Clinton/Gore policy has amounted to little more than inertia and gimmickry.

- After almost eight years in office the Clinton/Gore team has left American policy toward **Iraq** even worse off than when they began: Saddam Hussein is still in power and still in place is an oil exports sanctions regime that is porous enough to permit Saddam to maintain his apparatus of repression but restrictive enough to keep one of the world's potentially biggest producers from exporting enough oil to have a positive effect on U.S. consumer prices. In fact, the only action taken by this Administration that could be called an "initiative" was a bizarre 70-hour air war (which, except for the ideologically kindred "Third Way" government of Tony Blair in the United Kingdom, virtually the entire Gulf War coalition refused to support) that happened to coincide with the final debate on presidential impeachment in the House of Representatives in 1998. The only discernable result of the war — which abruptly ceased barely an hour after the affirmative vote on the first article of impeachment — was Saddam Hussein's complete breakout from the United Nations inspection regime on Iraq's weapons of mass destruction programs.

- As for **Iran**, while that country is a major world exporter, it sells no oil to the United States (ironically, unlike Iraq, which, even under sanctions, sells more than half as much oil to the United States as we buy from Saudi Arabia). Despite recent election gains by Iranian political forces considered pro-reform moderates by most observers, the Clinton/Gore Administration has been unable to move forward on energy diplomacy; in rejecting the latest American appeal for producing countries to step up exports, Iran's oil minister sneered: "Prices would trend lower if the U.S. abandons its political pressures and measures" [*Reuters*, 3/6/00]. However, while the Clinton/Gore policy toward Iran has failed to produce any results on the energy front, it would be wrong to call it a total failure ["U.S. May Lift Sanctions on 3 Key Iranian Exports; **Allowing Sales of Carpets, Caviar, and Pistachios** Would Reopen Doors to Dialogue, Officials Say," *Los Angeles Times*, 3/7/00].

Gulf State Security Freeloaders: If Kuwait, Saudi Arabia, and the Gulf States were the "swing producers" who could (as they did a few years ago) hold down their production to prevent complete oil price collapse — it was the decision of *exactly the same producers* a year ago to shut the oil tap that proximately has led to skyrocketing oil prices.

- Ironically, for the past decade, these countries have been almost completely dependent for their security on the United States, which spends tens of billions of dollars a year and deploys thousands of American service personnel in the volatile Persian Gulf region for their defense. (The fact that we continue to do so is yet more evidence of the failed Clinton/Gore policy toward Iran and Iraq, both of which have better relationships with the beneficiaries of our protection than they do with the United States.)

- Nonetheless, Secretary Richardson's mission received only lukewarm support from our "Gulf Allies," who committed to support increased production quotas at OPEC's next meeting on March 27 — *if* the rest of the cartel goes along.

- Some Congressional response to the perceived ingratitude has been less than measured: **"We're being screwed by the people we defended. How can we have troops in these countries as they engage in a conspiracy to shaft our economy?"** [*Congressional Quarterly*, 3/4/00]

Pipeline Pipe-dreams in the Caspian Basin: Since the collapse of the Soviet Union in 1991, the world oil industry has been increasingly focused on enhanced exploitation of the Caspian Basin. While recent estimates of the Caspian's potential are somewhat below those initially foreseen, the oil and gas reserves are far beyond the capacity of existing pipelines to bring the resources to the world market. Accordingly, a number of pipeline construction proposals are under discussion, with various routes through Turkey, Russia, Iran, Georgia, Azerbaijan, Armenia, Turkmenistan, and other countries.

- But while American energy companies have generally favored a multiple-pipeline approach based on relative economic advantages, the Clinton/Gore approach has been a dogged insistence that *economic* considerations take a back seat to *political* objectives. In particular, the Administration has single-mindedly insisted on a route through Georgia to the Turkish port of Ceyhan [pronounced JAY-hahn] — a pipeline that would have to be built from scratch over 650 miles of some of the roughest terrain in eastern Turkey (most of it inhabited by rebellious Kurds) at a cost estimated at $3 to 4 billion. Why? Because the Ceyhan route would cut both Iran and Russia out of the Caspian. [See "On Piping Out Caspian Oil, U.S. Insists the Cheaper, Shorter Way Isn't Better," *Los Angeles Times*, 11/8/98.]

- Despite the Administration's inflexible commitment to Ceyhan, most observers believe it is either "not going to be built in the next few years" [*LAT*, 11/8/98] or "will not be built" at all [Stratfor.com]. "There's a very interesting split of oil people on the one hand and geopoliticians on the other," comments one Washington-based energy consultant. "The geopoliticians are still breathing heavily, but for the oil people it's more like a sigh" [*LAT*, 11/8/98] But while the second-rate "geopoliticians" of the Clinton/Gore Administration have been enjoying their pipeline pipe-dreams, the Caspian has remained under-exploited for the better part of a decade — and oil that may have helped keep the world price down has stayed in the ground.

- The Administration's failure is so abject that even Turkey, the primary intended beneficiary of the Ceyhan route, has moved forward to set import deals with Russia (the "Blue Stream" gas project) and Iran, the countries the United States is trying to squeeze out.

- Given the Administration's total commitment to Ceyhan (which one oil company CEO calls "probably not the most rational solution at the moment" [*LAT*, 11/8/98]) — and given the less than fastidious Clinton/Gore fund-raising propensities, especially in years divisible by four — it cannot be excluded that Ceyhan may have other attractions, along the lines that reportedly induced one Caspian pipeline speculator to put $300,000 into the coffers of the Democratic National Committee in 1995. [See *PBS* "Newshour" transcript, 9/18/97, regarding financier **Roger Tamraz**, and S. Rept. 105-167, Senate Committee on Governmental Affairs, Investigation of Illegal or Improper Activities in Connection with 1996 Federal Election Campaigns, final report, 3/10/98.]

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